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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of  
National Exchange Carrier  
Association, Inc. Request  
for Rule Change Concerning  
the Composition of its  
Board of Directors

RM 7736

ORIGINAL  
FILE

COMMENTS OF THE IOWA UTILITIES BOARD

The Iowa Utilities Board (IUB) hereby submits the following comments on the National Exchange Carrier Association, Inc.'s (NECA's) petition for rulemaking.

BACKGROUND

The IUB agrees with NECA that it is important for the public to have confidence in its processes and overall management. The 1990 FCC audit of NECA, which focused on the revenue distribution process and certain adjustments to the Common Line Pool, indicated concerns about the adequacy of current governance procedures. The Federal Communications Commission (FCC) indicated various steps that might need to be taken to eliminate these concerns. One of these suggestions was considering whether the NECA Board of Directors should be expanded "to include two or more members from outside the local exchange carrier industry". In addition, NARUC (during its 1990 annual meeting in Orlando) adopted a resolution applauding the FCC's efforts to review NECA operations and encouraged the FCC to take further steps to protect the public interest.

## COMMENTS

NECA, formed primarily as an administrative entity, has adapted to changes in the industry. As NECA stated in its petition for rulemaking, "Because of the varying interests of NECA's members in NECA's activities, the Common Carrier Bureau has granted waivers of Sections 69.602 (d) - (e) of our rules (in the past) to permit a NECA Board structure that was more representative of the member companies." Today there are no outside directors on the NECA Board of Directors. All directors are representative of telephone companies which receive substantial income based on the decisions made by NECA. The decisions NECA makes have significant impact not only on these telephone companies but also on their customers. The broader impact of NECA's decisions warrants including non-telephone company representatives on the NECA Board. The IUB agrees with NECA that the best candidates for outside directors would be individuals who are not allied with the telephone industry. We believe that individuals who are knowledgeable of telephone regulatory policies, such as former or current federal or state regulators, would be strong candidates.

To its credit, NECA has initiated a self-review to determine what governance changes might be appropriate. In its petition for rulemaking, NECA has requested a permanent change to add two outside members to its Board of Directors. However, the IUB believes that it is premature, at this time, to make permanent changes in the composition of the NECA Board. The IUB believes that adding two outside directors in the fall election should be authorized on a temporary basis only, for the following reasons:

- (a) In September, the report of an outside audit on NECA's pooling and procedures is due.

(b) Because the audit will not be completed by the time period NECA issues Director ballots, no one will know the nature or extent of any problems it may reveal or the governance changes it may suggest.

(c) The audit may indicate that a larger number of outside directors is needed, that the current number of directors be maintained but the composition of the membership be changed, or that other changes in NECA's governance procedures should be instituted.

Thus, the FCC should either defer action on the NECA petition for rulemaking until the audit is completed, or the FCC should dismiss the application without prejudice. If dismissed without prejudice, the FCC should encourage NECA to file for a permanent change after the audit is completed and reviewed. This additional audit information will aid the FCC and NECA in making a more informed decision.

Respectfully submitted,

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